

Message Text

UNCLASSIFIED

PAGE 01 STATE 280011
ORIGIN L-03

INFO OCT-01 EUR-12 ISO-00 TRSE-00 EB-08 (ISO) R

DRAFTED BY L/T:POLSON/TRSY:MFIELD
APPROVED BY L/T:AWROVINE
TRSY:CIKINGSON
TRSY:HDROSENBLUM
TRSY:THORST
TRSY:LNWOODWORTH
EUR/WE:EJBEIGEL
EB/IFD/OMA:TFORBORD

-----092863 231520Z /13

R 222248Z NOV 77
FM SECSTATE WASHDC
TO AMEMBASSY PARIS

UNCLAS STATE 280011

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: TAX NEGOTIATION: NOTE REGARDING AVOIR FISCAL

1. EMBASSY IS REQUESTED TO SEND FIRST PERSON NOTE (TEXT BELOW) TO FONMIN. TREASURY WISHES MATTER CONSIDERED BY FONMIN WELL BEFORE DECEMBER 2 DEPARTURE OF FRENCH TAX NEGOTIATION TEAM, SO NOTE SHOULD BE DELIVERED ASAP.

2. TEXT OF NOTE FOLLOWS:

-----I HAVE THE HONOR TO REFER TO RECENT DISCUSSIONS BETWEEN REPRESENTATIVES OF OUR TWO GOVERNMENTS CONCERNING POSSIBLE AMENDMENTS TO THE CONVENTION BETWEEN THE UNITED STATES OF AMERICA AND THE FRENCH REPUBLIC WITH RESPECT TO TAXES ON INCOME AND PROPERTY, WHICH ENTERED INTO FORCE ON JULY 11, 1968.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 280011

-----ONE OF THE ISSUES IN THE DISCUSSIONS CONCERNS THE TAX CREDIT ("AVOIR FISCAL") CORRESPONDING TO A PORTION OF THE FRENCH CORPORATE TAX, WHICH IS GRANTED TO ALL RESIDENT SHAREHOLDERS IN FRENCH CORPORATIONS. UNDER THE TERMS OF THE 1970 PROTOCOL TO THE ABOVE-MENTIONED CONVENTION THE CREDIT IS ALSO AVAILABLE TO U.S. RESIDENTS WHO ARE SHAREHOLDERS IN FRENCH CORPORATIONS, IF THEY HOLD PORTFOLIO

INTERESTS OF LESS THAN TEN PERCENT OF THE OUTSTANDING
SHARES. THE U.S. POSITION IN THE CURRENT NEGOTIATIONS IS

TO REQUEST THAT THE CREDIT ALSO BE EXTENDED TO U.S. DIRECT
INVESTORS IN FRENCH CORPORATIONS, AT ONE-HALF THE ORDINARY
RATE. SUCH AN AGREEMENT WOULD MITIGATE THE EXISTING DIS-
CRIMINATION BETWEEN AMERICAN- AND FRENCH-OWNED FRENCH
CORPORATIONS.

-----THE UNITED STATES ATTACHES GREAT IMPORTANCE TO NONDIS-
CRIMINATORY TREATMENT OF U.S. INVESTORS BY OTHER GOVERN-
MENTS AND IS TAKING THE SAME POSITION ON THIS ISSUE IN ALL
ITS TAX TREATY NEGOTIATIONS. MINDFUL OF REVENUE CONSIDER-
ATIONS, THE UNITED STATES IS ASKING ONLY FOR ONE HALF THE
ORDINARY CREDIT IN THE CASE OF DIRECT INVESTORS. AT THAT
RATE, THE BENEFITS OF THE REDUCED FRENCH TAX WOULD GO TO
THE INVESTORS AND NOT TO THE UNITED STATES TREASURY. WE
WOULD CONSIDER EXTENSION OF ONE HALF THE AVOIR FISCAL TO
U.S. PARENT CORPORATIONS TO REMOVE THE EXISTING DISCRIMINA-
TION AGAINST U.S. INVESTORS, AND BELIEVE THAT THE INCREASED
ATTRACTIVENESS OF FRENCH INVESTMENT IS NOT CONTRARY TO THE
INTEREST OF FRANCE.

-----I RESPECTFULLY REQUEST THAT THE FRENCH GOVERNMENT GIVE
THIS ISSUE THE MOST SERIOUS CONSIDERATION, SO THAT THE
DISCUSSIONS NOW UNDERWAY BETWEEN OFFICIALS OF THE FINANCE
MINISTRY AND THE DEPARTMENT OF THE TREASURY CAN MOVE AHEAD
TO THE CONCLUSION OF A PROTOCOL WHICH WILL SATISFACTORILY
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 280011

RESOLVE THIS AND THE OTHER QUESTIONS WHICH HAVE ARISEN IN
THE CONTEXT OF OUR TREATY TO AVOID DOUBLE TAXATION.

----- (COMPLIMENTARY CLOSE). HABIB

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NEGOTIATIONS, TAX AGREEMENTS, INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Sent Date: 22-Nov-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE280011
Document Source: CORE
Document Unique ID: 00
Drafter: POLSON/TRSY:MFIELD
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770434-1211
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771129/aaaaayro.tel
Line Count: 97
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4a46a413-c288-dd11-92da-001cc4696bcc
Office: ORIGIN L
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 486114
Secure: OPEN
Status: NATIVE
Subject: TAX NEGOTIATION: NOTE REGARDING AVOIR FISCAL
TAGS: EFIN
To: PARIS
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/4a46a413-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009